

**ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.**

**REPORT ON THE ACTIVITIES OF THE AUDIT COMMITTEE**

**FOR 2016**

## **I.- Introduction**

As in the last eight financial years, the Audit Committee of ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. has drafted this report to summarise the activities carried out in 2016.

## **II.- Composition**

The breakdown of the Committee to 31 december 2016 is as follows:

### Chairman

Mr. Emilio García Gallego

### Committee Members

Mr. Jose Maria Loizaga Viguri

Ms. Catalina Miñarro Brugarolas

Ms. María Soledad Pérez Rodríguez

Mr. Antonio Botella García

### Secretary (with the right to speak but without the right to vote)

Mr. José Luis del Valle Pérez.

## **III. Functioning and activity**

The internal business of the Audit Committee continues to be governed by Article 21 of the Company Bylaws and by Articles 24 and 25 of the Rules of the Board of Directors (amended on 13 December 2007, 27 March 2008, 25 February 2010; 10 March 2011 and 24 March 2015), which regulate the number of meetings (at least two per annum, corresponding to the start and conclusion of the audit of the individual and consolidated financial statements), calls to meetings, quorums, adoption of resolutions, the Chairman's casting vote and the possible attendance of the Company Auditor, if especially convened for this purpose.

In 2016, the Audit Committee held six meetings in which it carried out the duties entrusted to it, and for which purpose the necessary information and documents were made available to it. Following the close of the financial

year, the Committee held another two meetings in February and March 2017, basically to review the 2016 financial statements. In addition, during 2016 exercise, the Board member, Mr. Javier Fernández Alonso has ceased as member of the Committee being replaced by the independent Board member, Mr. Antonio Botella García.

The Audit Committee considers that the Company has the proper organisation to ensure compliance with applicable regulations, including a Corporate General Department (which encompasses the Group's Internal Audit Department) and a General Secretary which, each within their own areas of competence, monitor compliance with current regulations, both internal and external. Likewise, with reference to the Board of Directors of the Company, the Rules of the Board foresee that the Secretary is to be entrusted with the legality of its actions. From a practical point of view, it is worthy of mention that no incident of any importance on this subject was detected throughout 2016.

As regards the financial figures for 2016, the following points are worthy of mention:

#### **a) Review of periodic financial information**

Following its adaptation to Act 44/2002, the Audit Committee reviews all quarterly financial information prior to its submission to the Spanish National Securities Market Commission (CNMV), and which is published via the corresponding Significant Events.

This review applies to information contained in the official formats of the Spanish National Securities Market Commission and to the information that the Company reports to said Commission for the publication of its quarterly results, verifying that the information expressed therein is coherent, and analysing the rationality of the criteria applied and the accuracy of its figures.

#### **b) Individual and consolidated financial statements for 2016**

At its meetings on 28 February and 23 March 2017, with the active presence of the external auditors and of the Corporate General Director, the Committee examined the individual and consolidated financial statements for 2016 and, in view of the information provided by the external auditors, issued a favourable report on such financial statements as stated by the Committee Chairman at its meeting to approve the accounts for the second semester to

be submitted to the CNMV and the Stock Exchanges, held on the same date 28 February, and on the preparation of accounts, held by the Company's Board of Directors on 23 March 2017.

### **c) Appointment and independence of the external auditor**

At its last meeting on 23 March 2017, the Committee deliberated on the renewal of the appointment of the auditor (Deloitte, S.L.), whose appointment was considered to have been guided by the principles of independence and professionalism. It proposed to the Board to submit the extension of the appointment of this auditor to the General Shareholders' Meeting for another year to 2018.

Likewise, in accordance with legal provisions and internal regulations, the Audit Committee has ensured the independence of the external auditor as regards the performance of its duties and any incompatibilities or limitations that could affect its work.

Accordingly, under Article 529 *quaterdecies*, section 4, letter f), in its current wording, the Committee considers the independence of the auditors to perform its duties to have been fully accredited with respect to the individual and consolidated financial statements of the ACS Group, and fully adjusted to the market conditions regarding the remuneration of the accessory benefits provided by the auditors in 2016, whose amount is as follows:

(Miless of Euros)				
	Services of Audit	Tax Services	Other Services	Total fees
Principal auditor	11,174	303	1,846	13,323
National	2,405	23	1,281	3,709
International	8,769	280	565	9,614
Other auditors	2,597	2,109	2,333	7,139
TOTAL	13,871	2,412	4,179	20,462

The auditor has informed the Committee in order to put on record that, in its opinion it has been fully independent when providing its services during the whole of the period covered by the financial statements and until the issuance of the report, and that it has implemented the internal procedures to identify and assess possible threats regarding its independence, including those which may represent causes of incompatibility, and that it has applied adequate safeguarding measures, leaving proof that, during the period covered by its

auditors reports and up to the issuance thereof, circumstances have not been identified which, individually or as a whole, may significantly compromise its independence.

**d) International Financial Reporting Standards (IFRS)**

In 2016, as in the preceding years, the Audit Committee closely monitored the consequences of implementing the International Financial Reporting Standards, and was informed for this purpose both by the Corporate General Department of the Company and by the external auditors.

**e) Internal Audits**

In 2016, the Committee received specific information regarding the planning, conclusions and recommendations deriving from the work carried out by the Company's internal auditors in the different areas of activity into which its business is structured. This work will continue in a thorough and systematised fashion in future years. At its meeting on 28 February 2017, it received an Activities Report from the Internal Audit Department for 2016 and the Internal Audit Plan for 2017.

Madrid, 26 March 2017